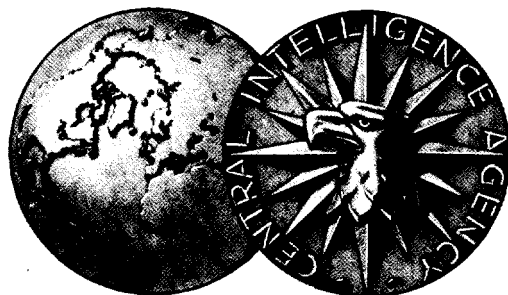


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# REVIEW OF THE WORLD SITUATION



CIA 3-49

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**REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY  
OF THE UNITED STATES**

**SUMMARY**

1. Although the Atlantic Pact indicates a US intent to reduce to reasonable proportions the Soviet threat to US security, the achievement of this intent depends on the way the Pact is implemented. The initial response of Western European opinion will be favorable. In the next stage, when implementation begins, the psychological atmosphere may become less favorable. Limitations on military aid will underline in the public mind the gap which the Pact has created between security promise and defense capabilities. Traditional security concepts will revive and will demand satisfaction. During this period, psychological factors may become more important than strategical considerations. A Soviet reaction has already begun and it can be expected to develop strongly. It will generally take the form of creating a war scare and may use tactics of threatening troop movements. It will aim at the psychological hesitations of Western European peoples. It will not mean that the USSR believes itself in danger of attack in the near future. Success in building up war tension can, however, stimulate the inherent tendency of the Pact to expand its area of interest and commitment and to disperse its resources.

**2. GERMANY-AUSTRIA.**

The implementation of the Pact emphasizes the strategic significance of Central Europe and creates a strong pressure to clarify the position of this region. The West is less prepared politically for such clarification than the USSR.

**3. FAR EAST.**

The Chinese Communists, though capable of further military success, seem to be waiting on political events. The key to the Indonesian deadlock is to be found in the Netherlands where party conflicts, deteriorating finances, and international pressures are at work. Burma is in serious trouble and no solution is in sight.

4. Reports that the US was "writing-off" Japan have created so much deep suspicion in Asia that the most categorical denials have failed to dispel it.

**5. NEAR EAST.**

Pressure for a regional link with the Atlantic Pact is reviving. Some of the Arab states are putting out cautious feelers toward the West once more. The adjustment

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Note: This review has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force. The information herein is as of 11 March 1949.

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of the Near East to the fact of Israeli statehood continues difficult. The new Israeli Government represents a victory of moderates over extremists and the Prime Minister is so situated that he should be able to make the victory stick. In Greece, the psychological atmosphere is possibly changing for the better. The army command has been revitalized, the new government is showing considerable initiative, and the Communists have developed internal weaknesses.

**6. LATIN AMERICA.**

The instability of various governments is increasing, and the relations of several South American states are being adversely affected by this instability.

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## REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

### 1. THE ATLANTIC PACT.

A North Atlantic Defense Pact is about to be introduced into the world situation as an established fact. This will not, however, bring a wholly new element into international relations. The intent of the US to reduce to reasonable proportions the threat to its security which is implicit in the present concentration of power in Soviet hands is already generally understood. The Pact does no more, in the first instance, than formalize this intent and establish a base for the more effective pursuit of this objective.

The Pact cannot automatically produce the desired equalization of power. This security value can only be realized by means of supplementary aid programs and subsequent implementing action. The Pact has already produced a strong Soviet reaction. Its implementation can be expected to produce a still stronger one. Since both the Pact and the reaction to it bear directly on major US security interests, several important questions are opened up for intelligence appreciation. They are:

1. The problem of the security of the signatories of the Pact.
2. The relation of peripheral states to the Pact.
3. The Soviet-Communist reaction.
4. The tendency of the Pact to become more inclusive.

#### *The Degree of Security Provided by the Pact.*

In spite of journalistic reports to the contrary, no real issue has been raised among the signatories by Senate statements about the constitutional limitations on a US military commitment. It has been generally understood that the US would be obliged, for compelling reasons, to take action to counter a major aggressive move by the USSR. The real issue has been whether or not this inevitable action would automatically serve the security interests of Western Europe. The prolonged negotiation of the Pact has shown that its security value depends to a considerable extent on finding a common denominator for the security interests of the US, the UK, and the Western European states. Although the concept of collective security is accepted theoretically, the sovereign states of Western Europe do not and cannot act on this principle to the exclusion of other considerations. Each has a traditional doctrine of what is essential to its national security and these doctrines are not identical with each other or with those of the US, UK, or Canada.

While the US might be able to accept a temporary Soviet occupation of Western Europe, no Western European government can consider this possibility for a moment. General concepts of what is essential to their national security have not fundamentally changed, even though the geopolitical context in which they were developed no longer exists. These concepts in the form of popular convictions are still important forces in domestic politics.

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The UK occupies a middle position between the US and Western Europe in these matters. On the one hand, in terms of defense against new weapons, the geographical security of Western Europe is more vital to the UK than to the US. On the other, considerations of global security, based upon the interests of the UK, the British Empire and the Commonwealth, are more real to the UK than to the states of Western Europe.

These differences cannot be wholly reconciled. But, since it is clear that without access to the productive capacity of the US, no Western European state can now develop a valid security policy at all, there are compelling reasons why their governments should hunt for the best possible compromise. A partial sacrifice of traditional national security interests is consequently called for. It is equally inevitable that the wisdom of such basic sacrifices will be judged by the speed with which tangible benefits are received.

Psychological factors—public morale, social stability, economic satisfactions, ideological alignments—have become increasingly significant for the success of the Pact. Its objectives, originally defined in terms of geographical security, have expanded to include such sociological security considerations as the will to resist, confidence that resistance will be successful, and the application of this confidence to the problems of economic recovery. It is possible that, at this moment and for some time to come, these psychological factors will be more important than strategic considerations.

An estimate of the psychological factors which affect the value of a North Atlantic Defense Pact falls under two headings: (1) the broad initial response, (2) the build-up of a permanently strengthened public morale. It is considered that the initial response will be satisfactory and that there will be a period in which both official and public opinion will be stimulated to greater efforts for economic, political, and military coordination. This period, however, will not necessarily be of long duration, and steps to convert the initial response into a stable and persistent sense of security will have to be quickly taken. Soviet propaganda, overt and covert, will cut in with increased vigor at this point, magnifying the risks that have been taken, specifying and feeding divergence over details, suggesting second thoughts and reservations.

Initially, the conclusion of a Pact will represent the satisfaction of a long-standing French desire—a defensive alliance with the US. For the Benelux states, it will mean that their inescapable strategic ties with both France and the UK have been given a fresh power basis. For the UK, it will be one more stage in the process of identifying US and UK security problems and commitments. These broad achievements will make themselves widely felt. In France and the Benelux countries, "middle of the road" governments will have their political positions strengthened and their hands somewhat freed for tackling internal problems. The over-all capacity to maintain internal security will be increased at the same time that some of the tensions producing internal disorder are being reduced. This improved political morale will tend to get linked with the tangible improvements that have been produced by the European Recovery Program. It is possible that an enhanced sense of security and a degree of economic

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recovery will become mutually supporting factors in the process of improving the US security position.

But this estimate is valid only during the period of initial impact. The longer term raises other problems and does not permit so generally favorable a judgment. The Atlantic Pact, though theoretically meeting long-range security needs, automatically poses particular short-term security problems. The most serious of these is the fact that while the Pact states an intention of resisting Soviet-Communist aggression it does not immediately provide the means of resistance. This problem cannot be quickly solved. Pending solution, the world power situation will remain in its present uncertain balance; that is, the persistent threat of Soviet military force in being will continue to be checked primarily by US power potential. In view of this, the implementation of the Pact will be carried out in a psychological atmosphere which will differ considerably from that created by its initial agreement.

French opinion will probably hesitate to back any implementation of the Pact which will seem likely to provoke the USSR to armed action. The only valid ground, in the French view, for acting otherwise will be tangible military aid, continual evidence of a US appreciation of French security problems, and strategic commitments which are applicable to those problems. In addition, France will tend to press for allocations of resources within the Pact and for such extensions of the Pact as are clearly related to traditional French security doctrine.

The Benelux states, accepting their total dependence upon the US, the UK, and France, will be pulled two ways. Their security is based upon improvements in the positions of the UK and France and upon the backstop of US power. Differences between UK and French estimates, or between France and the US, leave them indecisive and helpless. On the whole, opinion in these states will generally cling to the broad value of the Pact and not become a serious problem in connection with its implementation.

Nor does any serious problem arise in the UK in the longer run, provided the implementation of the Pact makes no substantial demands on the national economy. Such demands would seriously affect the delicate balance of the Labor Government's economic policies and plans and would necessitate difficult choices between domestic political and social considerations and external strategic commitments. The tendency would be to try to escape from this dilemma by seeking to transfer at least part of the cost of such strategic commitments to the US. This would bring a new set of conditions into the problem of implementing the Pact. Except for this possibility, British opinion will continue to regard the Pact and its future development as signs of steady progress in the right direction, and will in general remain close to the US in the handling of differences with the continental signatories.

But, in this second stage, it will become clear that Western European opinion is conscious of having deliberately accepted serious risks in concluding a Defense Pact before the means of guarding against those risks were in hand. None of the signatories can provide these means from their own resources in the near future. They cannot increase their present inadequate production of armaments except by reducing the

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standards of living they have been struggling to re-establish. Even if such reduction could be made without upsetting still unstable and touchy political and psychological situations, they could not be made without interrupting the steady progress of the European Recovery Program, or without considerable increases in ECA appropriations.

A US Military Aid Program to supplement a Defense Pact becomes of first importance in these circumstances. Equipment and armament from this source will not, however, be considered or described as a gift from the US. It will be regarded as a natural and legitimate *quid pro quo* for the risks undertaken and the compromises accepted. Inevitable discussion of the quantity and distribution of such assistance will be colored by this opinion. Furthermore, both quantity and allocation will tend to get measured against expectations and are bound to fall short of such expectations. Strains will develop at all possible points in connection with the practical implementing stage and a sense of insecurity will probably begin to reappear as a distorting factor. This in turn will provide a target area for Soviet propaganda.

*The Peripheral States.*

A number of states, peripheral to the original hard core of Brussels' Pact signatories, have come up for consideration as possible members of a North Atlantic Defense Pact. The strategic significance of these states, as well as their internal political characteristics, differ considerably. There is no agreed standard by which their value can be judged. Norway is more significant from a US-UK point of view than in the eyes of the French. Sweden seems needed to round out the Scandinavian flank of the Pact, yet its inclusion is made difficult by its own neutrality concepts. Spain is considered desirable by the US on military grounds, but its inclusion is politically unacceptable to Western Europe. Portugal is significant to the possessors of sea-air power but not to the possessors of land power.

Italy is an especially difficult peripheral case. By some of the proposed signatories, the inclusion of Italy is considered essential not only for satisfactory defense planning, but in order to fix Italy finally in the Western orbit. France supports this view at present for reasons that are important primarily to French security. The Benelux states find no value in it. The US tends to favor Italy's inclusion on broader grounds. The UK does not share the US conviction of Italy's importance in the early stages, but is not prepared to argue the point. There is little doubt that Italy's inclusion would tend to increase the authority of its present government. That government would consider its policy of aligning Italy with the West justified. Majority opinion would line up behind it and strengthen its domestic political position. Its capacity to handle a militant Communist minority would be measurably increased.

The process of implementing the Pact will require that such divergencies as these be brought into adjustment. These adjustments will have to be made in terms of quantities of military equipment, of production and distribution schedules, of strategic decisions and coordinated defense plans. The problems inherent in this situation will inevitably produce public reactions and political consequences. It will be in this sec-

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tor of psychological uncertainty, half-knowledge, and intensified self-interest that Soviet-Communist propaganda will conduct a full-scale "war of nerves."

*The Soviet-Communist Reaction.*

Since the Pact is the most definitive effort the US has yet made to counter Soviet policy, a strong Soviet-Communist reaction is already under way, but there is no reason to believe that war will be part of this reaction. The pact will not actually—as opposed to propagandistically—be interpreted as an act of aggression. Such an interpretation may come at a later stage; but, if it does, it will derive from the way in which the Pact is being implemented and not from the fact of its agreement. For the time being, the USSR will aim at three things:

1. To dissuade peripheral states, by every device including perhaps troop movements near Sweden, Norway, and Finland, from making final decisions.
2. To generate a maximum fear of war in Western European publics in order to counter the initial psychological impact of the agreement. A propaganda line is already established for this purpose. It describes the Pact as an aggressive design to encircle the USSR, presents the USSR as desiring peace but driven to defend itself as well as all neighboring "People's Democracies."
3. To keep the initial stimulus from developing into firm morale and thus prevent the effective implementation of the Pact.

In addition, there are signs that the Soviet Government is manipulating domestic opinion along the lines of a war scare. US-USSR relations, interpreted as a process of "capitalist encirclement" from the Marshall Plan to the military alliance of the Atlantic Pact, are being used to stimulate increased hostility toward the West. The intent is presumably to prepare people for further sacrifices and to provide support for whatever decisions may be later made. It is believed that the manipulation is not intended to build up a war hysteria and that such a development will be checked by reassurances that firm steps to guard the peace have been taken.

Whatever the reaction, it will be centrally planned and directed. Action, however, will take different forms as it is carried out by the Soviet Union or by local Communist Parties. The capabilities of local Communist Parties in this connection require estimation. While direct armed action is not considered likely, it is just conceivable that it may be ordered as an extreme measure. Sabotage of defense plans by strikes, demonstrations, and covert propaganda in the armed forces are, however, considered possible. Violent press campaigns and, even more important, rumor and whispering campaigns are considered inevitable. These last methods, since they will bear directly on an uncertain psychological situation are capable of some success, except in the UK. By confusing opinion, introducing hesitations, and by singling out and exaggerating difficulties, these propaganda efforts can make it hard for the US and the West to maintain the initial benefits of the Pact.

The tactics of threat will have to be applied by the USSR itself. Aside from a general threat in the form of a war scare, the areas in which threats can be used are

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limited. Troop movements on the Norwegian frontier as part of a war of nerves are a possibility, and might serve to force a compensatory Norwegian mobilization. This possibility has led Norway to suggest that the inclusion of the Arctic area is more vital to the success of the Pact than is Italy. The USSR cannot install a Communist-controlled government in Finland without direct military intervention, since at least part of the Finnish army and people would resist. The possibility of such intervention cannot, however, be ruled out. Finland is one of the few regions remaining in Europe where a Soviet military operation could be carried out without inevitably precipitating a war with the West. Such a development would, however, produce a crisis in Swedish opinion. The direction in which Swedish policy would move in this event is uncertain because existing checks on decision would be intensified; but, if it moved toward immediate inclusion in the Pact, Sweden would almost certainly make special claims on US equipment and demand precise US commitments.

Tactical threats in order to heighten tension are also possible in the Soviet zones of Germany and Austria, in the Satellite States, and on the frontiers of Turkey. It is considered more likely, however, that action will at the start be confined to formalizing an Eastern European defense system; and that this, with its implication of integrating Satellite forces into the Soviet system for greater control and readiness, will then be used as part of an over-all strategy of threat. It is considered that the situations in Berlin and on the frontier of Greece are so touchy that they do not lend themselves to safe exploitation.

From the USSR point of view, the chief immediate consequence of the Pact will be the need to re-estimate Soviet policy, though the need to reach final decisions about the Pact's significance will not become pressing until the real extent of its implementation is revealed.

*The Tendency of the Pact to Expand.*

Mention has been made previously (See CIA 2-49) of proposals to link the Atlantic Pact and strategic commitments in the Mediterranean in a single unified defense system. The pressure behind these proposals, primarily arising in the Eastern Mediterranean, has been momentarily checked. However, there is in the very nature and objectives of the Pact an inherent tendency to expand, and to this tendency these pressures will continue to be applied.

Insofar as circumstances emphasize the strategic objectives of the Pact, its area of commitment will tend to spread in relation to the disposition and pressures of Soviet force. In addition, until the admitted gap between security promise and defense capabilities has been more nearly closed, the maintenance of public morale and the organization of a firm will to resist among the Western European signatories may well require a consideration of their security fears and strategic convictions. These will constitute an additional pressure on the Pact to extend the flanks of its originally defined area of interest. The main check on this tendency will be an appreciation of the limited resources available for distribution and of the value of effecting a maximum concentration of power in Western Europe.

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Actually, given the various national security interests that are involved, and given the various points of view with which even the US approaches the problem, the probability is that these tendencies will conflict at all stages of implementing the Pact just as they have done at all stages of its negotiation. The tendency to expand is at present the stronger, though there is no common agreement about the direction in which expansion could most profitably take place or its extent. One thread can be followed through all the proposals. The basic intent of the Pact—to hold the immediate threat of Soviet power in check while building up a significant long-term counter-balance—automatically draws the Pact towards positions that add up to what the Soviet calls “encirclement.” This reflects a solid geopolitical reality.

Thus, although the original signatories of the Pact will no doubt aim at consolidating their position in a limited area, pressures to the contrary exist. The conditions under which these pressures can develop fresh strength are not entirely controllable by the US and its co-members. The USSR, by its reaction, will contribute to setting these conditions. If this reaction succeeds in increasing international tension and in building up a heightened sense of insecurity, the pressures will become vigorous. In handling these pressures, well-developed and well-timed information policies will be of the greatest importance if capabilities and commitments are to be kept in reasonable balance.

## 2. GERMANY-AUSTRIA.

Direct consideration of Central Europe has been kept out of the negotiating stages of the Atlantic Pact, though it has clearly been an unsolved marginal problem. It cannot be longer avoided, however, once the implementing stages of the Pact are reached. In connection with defense plans, estimates of capabilities, and the development of power potential, the need will be increasingly felt to take Germany out of the category of the imponderables. To do so will call for policy decisions of a basic kind. This development will follow lines already set: the US and UK seeking immediate answers in relation to their global security problems; France and the Benelux countries seeking primarily to cover their security interests in Europe in terms of their historical experience.

The situation in Germany does not favor a quick total solution. The existing stalemate of divided control cannot be easily resolved. Since it arose out of the tension of US-USSR relations, it is not likely to be less firmly maintained in the still more tense atmosphere created by the Atlantic Pact and the Soviet reaction to it. A secondary stalemate in the western zones over the form of a West German government, the terms of an Occupation Statute, and the technical details of the position in Berlin is not so final. But even though the problem of coordinating French, US, and UK policy is not insurmountable, and French cooperation in all major questions between West and East can be assumed, it is not to be expected that the difficulties will melt away in the sunshine of the Atlantic Pact. On the contrary, it is possible that they may be increased. The strategic implications of the Pact underline the importance of Germany and, in consequence, the Germans are given a bargaining position which will

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have an increasing effect on Western occupation policy. It is certain that the use of this position can only serve, in the first instance, to harden French fears of German power.

Although the present position of the West, in Germany itself, may be more favorable than that of the USSR, this is not certainly the case when Germany is clearly lifted into the broader area of conflict that the Atlantic Pact marks out. The Western Powers are by no means ready to fit their zones effectively into this larger picture. In contrast, the Soviet zone is presumed to be ready for rapid adaptation. In addition, the local situation in Berlin is being further drawn into the unsettled Western problem by a German desire to incorporate the western sectors of the city in any West German state that is set up; and the political values established by the air-lift are being converted into fixed psychological claims on US support as both obligatory and inevitable.

Austria, which shares with Germany the geographic importance of Central Europe, presents a similar problem but in a different form—the chief differences being that there is an Austrian government and there are no complicating special French views to be reconciled. While there is no doubt of the country's orientation toward the West, this fact has little bearing on the necessity for balancing a dependence on US political and economic support against the oppressive influence of immediate Soviet capabilities. The probability appears to be that Austria, given the circumstances set by the Atlantic Pact, will continue to be uneasily neutralized by the *force majeure* of an occupation.

### 3. THE FAR EAST.

#### a. China.

Although the Communist armies are capable of and are laying plans for the crossing of the Yangtze and of eventually overrunning the whole of South China, Communists leaders are apparently waiting for political events to catch up with military success. Prolonged negotiations, under these conditions, are a game in which the Communists may gain a great deal at little cost, and what they cannot win in this way they are militarily capable of taking whenever they feel politically prepared. The fragmentation of China, which proceeds of its own accord and with only slight urges from the Communists, has been momentarily retarded by the efforts of the Nationalist Acting President Li Tsung-jen. He has been able to secure the cooperation of more Nationalist leaders than was earlier believed possible and has consequently undercut somewhat the influence which Chiang Kai-shek has continued to exert from his retirement. None of this, however, is of more than passing significance since it does not add up to the strength needed to resist further Communist military operations.

#### b. Indonesia.

It is not expected that the Republican leaders will accept any proposals that do not either fully comply with the UN Security Council resolution or offer equivalent Dutch guarantees. Dutch efforts to resolve the problem they created by their "police

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action" are not likely to produce results. With affairs at an impasse in Indonesia, the key to the situation is now to be sought in the Netherlands rather than in Southeast Asia. The deadlock cannot be broken until a conciliatory decision emerges from the conflict of party politics at The Hague, from a deterioration of Dutch finances, and from accumulating international pressures. Among the latter, a Belgian anxiety about entering into the full Benelux economic union with a state whose financial position is being endangered by "colonial" misadventures, can be rated high.

*c. Burma.*

Burma is in serious trouble. Its internal situation—now grown into full-blown civil strife—has brought the country to the edge of bankruptcy. The government consists of little more than ambitious, inexperienced, and inept young doctrinaires—all left-wing and all nationalist. Karen separatists control or encircle the three major Burmese ports. Rice exports, on which Burmese economy depends, have been practically shut off. Communists, as well as other political dissidents, are taking advantage of chaotic conditions. Mounting disorder, with no visible hope of its being brought under control, has fundamentally shaken all plans for a better economic future. Insofar as those plans were linked to rice production and export, their failure affects the stability of a considerable part of rice-consuming Asia. In view of this danger, members of the Commonwealth met at New Delhi to examine ways of financing Burmese rice export. The practical as well as the political problems involved in such a loan make it seem unlikely that arrangements will be soon completed.

**4. THE "WRITE-OFF" OF JAPAN.**

Categorical denials have not kept reports from spreading and have not wiped out Asiatic suspicions that US policy is "writing-off" Japan. Repercussions have been varied. Taken together, they suggest that a new element of uncertainty has been injected into an already shaky situation.

In Japan itself, the report has been interpreted by Japanese Communists as evidence that their expansion could not be curbed. Non-Communists are correspondingly alarmed. While neither of these reactions is justified, both are nourished by the confusion from which they sprang. Australia and the Philippines have reacted strongly to the implication that US defense plans were being changed. Both are acutely sensitive to the complete dependence of their security on US strategic decisions and are constantly alert to the danger of becoming marginal to, rather than central in, such decisions. India, with no immediate security problem involved, has interpreted the report as confirming its distrust of US declarations of support for nations resisting Soviet influence.

Generally, the report has spread at a bad time. Insofar as it gains credence in China, it may undermine even the die-hard determination to resist Communist domination. Taken in conjunction with the final formulation of the Atlantic Pact, it feeds an already strong Asiatic conviction that the US is irrevocably committed to Europe at the expense of Asia. In addition, it may cancel the success with which the US

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built up a good position for itself at the Inter-Asian Conference and speed up the organization of a formal Pan-Asiatic Bloc. Believing itself cut off from US support, such a bloc would in the first instance concentrate on realizing the national aspirations of its members and in building up a collective opposition to Communism. But, since the longer run would inevitably reveal the comparative weakness of a bloc isolated from Western capital and industrial goods, it would tend to become susceptible to Soviet pressure and Communist influence. It can be taken for granted that Soviet-Communist propaganda would quickly sense and strongly encourage such a tendency.

## 5. NEAR EAST.

*a. Regional Defense.*

Although both the Turkish and Greek governments accept the fact that there is no place for them in the Atlantic Pact, interest in alternative arrangements is being vigorously expressed again. Tsaldaris, full of expansive ingenuity, speaks of a dual Mediterranean defense alliance—a Northern one to include Greece, Turkey, Italy, France, and the UK; and an Eastern one to include Greece, Turkey, the Arab states, Israel, Iran, and Pakistan. Turkey, less spaciouly inclined and fully appreciating the present negative capacity of Greece, nevertheless keeps the way open for any agreement that can be correlated with the North Atlantic Pact and brought within sure range of US support. Pending this development, both states look for a strong declaration from the Atlantic signatories to the effect that their security interests will not be lost among the higher priorities of Western Europe. The Iranian Government, though anxious lest Iran be abandoned, was satisfied by US assurances to the contrary and raised no question of participation. On the fringes of this problem, which is essentially a problem of the rate at which the US crystallizes its Mediterranean commitments, the question of Tripolitania has come up again. The UK, backed by Arab leaders, has once more proposed a US trusteeship as the best all-round solution.

*b. Looking West Once More.*

Some of the Arab governments, face to face with long-evaded issues, are showing signs of repairing their bridges to the UK. A more friendly spirit has suddenly emerged in Egypt, and it appears that some progress can now be made in matters that formerly seemed blocked. In Iraq, some leaders of the party of most determined opposition to the UK, are rumored to be hinting that a treaty with the UK "might not be a bad idea." More practically, it has toned down its policy of making political capital out of all moves in this direction and the Iraqi Prime Minister is closer to a position for initiating conversations. Syria, in conjunction with reminders that Syria is Turkey's undefended flank, has mentioned its interest in a US military mission.

*c. Israel.*

It has recently seemed that the foundations for a comprehensive peace settlement in the Near East were being laid by the negotiations at Rhodes. Israeli and Trans-

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jordanian movements in the southeastern Negeb have, however, thrown the situation back into its customary uncertainty. A firm statement cannot yet be made about the effect of these movements on the broad armistice negotiations. These will probably continue in view of the indisputably superior strength of Israel and the skill with which Israeli policy has fragmented the Arab position; but solutions reached by these means will contribute little to the stabilization of the Near East and nothing to the improvement of US and UK security interests in the region. Within the past few months, the US has committed itself, in Arab opinion, to exert a restraining influence upon Israel. The UK, trying to persuade Arab governments to adjust themselves to reality, has assumed that this reality included US pressure on Israel. The legality of conflicting claims in Palestine can be left to one side, for the essential fact of the moment is that the Arab judgment of US intentions will become fixedly suspicious if no evidence is provided of a US will and ability to check the aggressive expansion of Israel.

*d. Greece.*

The gloomy estimates of the past few months may need tentative revision in the light of the initiative shown by the new Greek Government and by the revitalized army command. An atmosphere of political calm prevails, and the government is actually tackling problems for which other Cabinets have shown distaste. Most significant are the actions being taken in the fiscal field. A real effort is being made to redistribute the tax burden, by subjecting previously gently handled wealthy citizens to special taxes and the registration of foreign assets. Some attempts, including the establishment of credit control, are also being made to create a sounder currency. The government, already equipped with a comfortable vote of confidence, is in a position to proceed on its executive way during a four-month Parliamentary recess. The new army command shows signs of being considerably more effective than any of its predecessors.

In contrast, the Communists have developed an internal weakness in connection with the dismissal of Markos and the apparent projection of the Tito-Cominform quarrel into Greek Communism. The new guerrilla leadership, under Cominform influence, immediately committed its forces to gain quick results, but has thus far achieved nothing solid. On the contrary, during February, guerrilla forces lost ground at several points and suffered a slight decrease in personnel strength.

The picture does no more than suggest fresh possibilities. Their development and, still more, their realization lies far in the future. The significant fact of the moment is simply that the psychological atmosphere is showing signs of change.

**6. LATIN AMERICA.**

Developments during the month not only emphasize the increased instability of governments but also illustrate the way in which relations between countries are affected by this instability.

Within the governing military juntas of both Venezuela and Peru pressures for change are mounting. The Peruvian regime has not been able to build adequate popular

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support, in spite of programs designed to have wide general appeal. In Venezuela, a split developing within the junta is being felt among the army officers, although no significant popular opposition to the junta is yet apparent. The present (26 February) Paraguayan regime has only slightly better prospects for survival than its predecessor (29 January) government. In Bolivia also the possibility of a coup keeps that country's government unstable. The Argentine economic crisis has produced serious repercussions in the form of strikes, army dissatisfaction with the regime and forced changes in administration policies and personnel. Even though Perón probably will survive this crisis, it is possible that the internationally cooperative policies he recently initiated may not be continued unless substantial dollar amounts are obtained from ECA purchases or a US loan.

Instability in Bolivia and Peru has led to friction between these two countries. The jittery Bolivian Government has accused Peru, on grounds that seem well-taken at least as far as Peruvian individuals are concerned, of complicity in an internal plot. Peru has made a conciliatory reply, but good relations have not been established. Relations between Colombia and Peru are strained because the Peruvian Government either will not or, because of internal pressure, dares not assure safe conduct for Haya de la Torre, leader of the now-outlawed APRA Party, who remains in the Colombian Embassy where he was given asylum. Colombia insists on safe conduct for Haya and has expressed fears of an attack on its Embassy in Lima. It has already planned retaliatory measures and has made some anticipatory troop movements. The Colombians may have been further alarmed by an Ecuadoran rumor, groundless as far as is known to US authorities, that Peru may embark on a foreign adventure to bolster its shaky domestic situation.

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